

FLA Audit Profile	
Country	China
Factory name	440015478E
IEM	SGS-CSTC Standard Technical Services Co., Ltd
Date(s) in facility	December 19-20, 2006
PC(s)	Hennes & Mauritz AB
Number of workers	246
Product(s)	Apparel
Production processes	Cutting, sewing, ironing, metal detection, packing

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings	Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Internal audit findings (Optional)	Remediation	Company follow up (Cite date of follow up)	Factory response.	Documentation	(Status) Completed; Pending; On-going	Updates	Documentation	Third-Party Verification	Company Verification	Follow up	Follow up
			Non-compliance							PC Remediation plan					Company follow up (Cite date of follow up)		External Verification (Date)	Documentation	Company follow up (Cite date of follow up)	Documentation
<b>1. Code Awareness</b>																				
Code posting/information		<b>FLA Principle of Monitoring, Obligation of Companies:</b> Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	The PC company (H&M) did not put in place a confidential noncompliance reporting mechanism that allows workers to report complaints directly to the FLA affiliated company.				Based on on-site observation and interview with workers & managements, it was identified.			H&M primarily encourages the factory to develop and deepen its own confidential non-compliance system. We support the factory in building a dialogue system within the factory in order to have a forum for the workers to communicate grievances to management. During our audits we regularly check the function of these systems. For all H&M audits we conduct worker interviews. During these confidential, one- to-one interviews, our contact information is provided to the workers in order for them to be able to contact us to put forward their grievances directly to us. We have decided to establish a hotline in order to ensure that the workers can put forward confidential complaints directly to H&M. It will be a mobile number that the workers can call or SMS. The mobile number will be printed on business cards that will be provided to the workers during				Pending.	Follow-up 1, 2007-10-17. During our follow-up a lot of time was spent on the problem with the faked document, this finding was therefore not checked.  2nd Full Audit (Unannounced), 2009-02-25. 20 workers were interviewed this time. The cards with H&M contact telephone number were provided to the workers interviewed.					
Worker/management awareness of Code		<b>FLA Principle of Monitoring, Obligation of Companies:</b> Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	The company's Code of Conduct was not posted.				Based on on-site observation and interview with workers & managements, it was identified.			Generally we do not require our Code of Conduct to be posted in the factory. In the case a factory produces for different buyers it might be confusing for the workers. Instead we encourage the factories to develop internal regulations in line with our Code of Conduct.					Follow-up 1, 2007-10-17. During our follow-up a lot of time was spent on the problem with the faked document, this finding was therefore not checked.  2nd Full Audit (Unannounced), 2009-02-25. Generally we do not require our Code of Conduct to be posted in the factory. In the case a factory produces for different buyers it might be confusing for the workers. Instead we encourage the factories to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these to all workers.					
Confidential non-compliance reporting channel		<b>FLA Principle of Monitoring, Obligation of Companies:</b> Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	The PC company (H&M) did not put in place a confidential noncompliance reporting mechanism that allows workers to report complaints directly to the FLA affiliated company.				Based on on-site observation and interview with workers & managements, it was identified.			H&M primarily encourages the factory to develop and deepen its own confidential non-compliance system. We support the factory in building a dialogue system within the factory in order to have a forum for the workers to communicate grievances to management. During our audits we regularly check the function of these systems. For all H&M audits we conduct worker interviews. During these confidential, one- to-one interviews, our contact information is provided to the workers in order for them to be able to contact us to put forward their grievances directly to us. We have decided to establish a hotline in order to ensure that the workers can put forward confidential complaints directly to H&M. It will be a mobile number that the workers can call or SMS. The mobile number will be printed on business cards that will be provided to the workers during				Pending.	Follow-up 1, 2007-10-17. During our follow-up a lot of time was spent on the problem with the faked document, this finding was therefore not checked.  2nd Full Audit (Unannounced), 2009-02-25. 20 workers were interviewed this time. The cards with H&M contact telephone number were provided to the workers interviewed.					
<b>2.Forced Labor</b>																				
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise																				
<b>3. Child Labor</b>																				
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																				
Juvenile worker Identification System	Regulations for the Special Protection of Juvenile Employees (Document No. 498, 1994) Article 9: Employment of teenager labor should be under registration. (1) An employer who recruits and hires juvenile employees, in addition to complying with general employment requirements, must also undertake registration procedure with the local labor administration department at or above the county level. The labor administration department will then issue the 'Registration Certificate for Juvenile Employees' and the 'Registration Form for Juvenile Employees'. (2) Juvenile employees must first secure the 'Registration Certification for Juvenile Employees' before beginning to work for an employer. (3) All 'Registration Certificate for Juvenile Employees' should be printed by Labor Administrative Department of State Council.	Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws	No young worker registration approval from the Local Labor Bureau was found in the factory although, based on the document check and interview with management, the factory did not place young workers in hazardous positions and arranged for regular health examinations.				Based on document check and interview with workers & managements, it was identified.			All young workers should be registered with the Local Labor Bureau. This will be checked at the next audit.		We can get the registration from the local labor bureau within one month. Will from now on ensure that all young workers are registered with the local labor bureau.		On-going.	Follow-up 1 (announced), 2007-10-17. All juvenile workers are now registered with the local Labour Bureau. Follow-up 2 (unannounced), 2008-03-11. Around 15 workers were randomly selected for the cross-checking of their personnel files; all required documents including ID card copies were included in the personnel files. We didn't find any juvenile workers during this audit.  2nd Full Audit (Unannounced), 2009-02-25. There is no juvenile worker in the factory at present. The HR responsible person states that they will make the employment registration for juvenile worker if necessary. However, there is no clear written procedure on the recruitment of juvenile worker.	Document review and management interview				
<b>4. Harassment or Abuse</b>																				
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.																				

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<b>5. Nondiscrimination</b>																		
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																		
<b>6. Health and Safety</b>																		
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities																		
PPE	Regulations on Safety and Sanitation in Factories, Article 77  Factories shall provide ear plugs, goggles, and helmets to workers who are exposed to excessive noise, bright light, radiant heat, sparks, and debris in the workplace.	Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	No suitable Personal Protective Equipment (PPE) was provided for the cutting & embroidery operators.				Based on on-site observation and interview with workers & managements, it was identified.			The workers should be provided with relevant personal protective equipment depending on work process, along with education both orally and in writing in their native language on how to use it and why it is necessary.		Will provide relevant protective equipment and train the workers to work with the protective equipment		On-going.	Follow-up 1 (announced), 2007-10-17: During this audit it was found that the workers in the cutting and embroidery workshops had been supplied with personal protective equipment, and were using them. Follow-up 2 (unannounced), 2008-03-11: The embroidery department had been closed a few months ago due to low efficiency. All cutters were using the metallic gloves.  2nd Full Audit (Unannounced), 2009-02-25: It was observed that the workers in cutting workshop and embroidery workshop were equipped with and wearing the relevant PPE.	Factory tour		
Other	Fire Prevention Law of the People's Republic of China, Article 10: At the time of completion of a construction project the fire prevention design of which is worked out pursuant to the state technical standards for fire prevention of engineering construction, acceptance checks for fire prevention must be carried out by a public security fire-fighting department; a project without completing acceptance checks or failing to qualify in acceptance checks must not be put into use. Construction Law of the People's Republic of China, Article 61: A construction project may only be handed over for use upon passing the acceptance checks; no construction project shall be handed over for use without going through the acceptance checks or passing the acceptance checks. Regulations on Safety and Supervision of Special Equipment, Article 39: The operators and management staff of boiler, pressure vessels, elevators, and passenger tram rails shall first acquire qualifications for the relevant operating certificates.	Employers will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standard will apply.	The factory did not obtain fire safety inspection certificates and building structure safety certificate for the factory building and accommodation building.  The factory did not obtain the elevator operator permit for the elevator operator.				Based on document check and interview with workers & managements, it was identified.			H&M requires that safety in the factory as well as the dormitory is maintained according to local law and our Code of Conduct. We will encourage the factory to participate in external training on health and Safety in order to improve the health and safety awareness in the factory. Besides our routine inspections of workplace safety on site in the workshops, concerning fire safety among other aspects, safety issues are all relevant.		Factory is applying for it, hope we can get it within three months.		Done.	Follow-up 1, 2007-10-17: During this audit the factory has provided us the relative certificates.	Document review		
<b>7. Freedom of Association and Collective Bargaining</b>																		
Employers will recognize and respect the right of employees to freedom of association and collective bargaining																		
Freedom of Association: FLA Comment		<b>FLA Comment:</b> The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (AFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.																
Right to Freely Associate		Workers will have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment	The elected meeting of worker representatives was held on the date of Dec 1, 2006, and 7 worker representatives was elected. No trade union was established.				It was confirmed through interview with the management, workers, and documents checking.			The workers should be free to form associations of their own choosing, and to bargain collectively. We don't accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organize or join an association. We encourage the factory to develop and maintain well functioning communication channels between workers and management.		Hopefully the union will be set up after the Chinese New Year holiday.		On-going.	Follow-up 1 (announced), 2007-10-17: An official trade union was established at the end of 2006, and formulated their charter in the beginning of 2007. The trade union established a log book to record their activities. They are mainly focused on workers' welfare issues such as travelling organization, and preparations for the celebrations of International Women's Day. Follow-up 2 (unannounced). Not checked during this audit.  2nd Full Audit (Unannounced), 2009-02-25: There are no legally required worker representative committees in the factory yet. We encourage the factory to develop and maintain well functioning communication channels between workers and management.	Document review and management interview		
<b>8. Wages and Benefits</b>																		
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits																		



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<b>9. Hours of Work</b>																		
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.																		
Overtime Limitations	China Labor Law, Article 41: The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty six hours.  China Labor Law, Article 38: The employing unit shall guarantee that its staff and workers have at least one day off in a week.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts	1. Based on attendance records checked and cross check with the production record, in the peak season, such as July & Oct of 2006, the factory didn't provide consecutive 24 hours rest for about 80% employees of in the factory. The maximum consecutive working day was 24 days/month, which violated Clause 38 of China Labor Law; the employer shall guarantee that its employees have at least one day off in a week (one day off means consecutive 24 hours rest). 2. Based on the document check and cross check with the production records, it was noted that in the peak season, such as July & Oct of 2006, the maximum overtime hours was about 54-72 hours/month, which violated Clause 41 of China Labor Law; the total extension in a month shall not exceed 36 hours.				Based on document check and interview with workers & managements, it was identified.			In our dialogue with the factory we require the factory to provide true documentation on salaries and working hours. The aim is for the factory to establish a system to reduce overtime hours in a sustainable manner. The long-term aim is to, through improved production planning and efficiency, steadily reduce the overtime hours in order to meet the legal limit of overtime hours per month. In the short term, we require the factory to make sure that they can ensure that the workers have one day off per week, and reduce the number of overtime hours in the weekdays.		We will work continuously to reduce overtime.		Pending.	Follow-up 1, 2007-10-17. During this audit it was found that OT still exceeds the legal limit. Follow-up 2 (unannounced), 2008-03-11. During this audit it was confirmed that the factory persistently have presented us with faked documents during previous audits, and so there is at this point no way of confirming the actual over time and over time compensation situation. We plan to increase our presence on this factory, including on Sundays and week nights, be present on paydays and closely monitor their documentation of salaries and working hours. Only when we feel that their documentation is trustworthy, will we decrease our presence there and start preparing for our next Full Audit (FAP2).  2nd Full Audit (Unannounced), 2009-02-25. The factory now reports working hours and wages monthly to H&M, in order to ensure transparency, and start to collect data for analysis and develop a realistic and constructive action plan on how to tackle these issues. Regular working hours are more than legal limit, normally from every Monday to Saturday and overtime hours still exceed the legal limit.	Document review		
<b>10. Overtime Compensation</b>																		
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in																		
OT Compensation for Piece	China Labor Law, Article 44: The employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances: (1) to pay no less than 150 per cent of the normal wages if the extension of working hours is arranged; (2) to pay no less than 200 per cent of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and (3) to pay no less than 300 per cent of the normal wages if the extended hours are arranged on statutory holidays.	Where workers are paid on a piece rate, the payment for overtime work performed shall result in no less payment than the premium pay required by law	No additional premium pay was paid for overtime hours. All workers were paid by the piece rate and were provided an additional RMB 5 for the overtime work till 21:00 per days. Compared with the premium pay required by law, about 15% of workers the overtime work less than the legal minimum requirement.				Based on document check and interview with workers & managements, it was identified.			All normal working hours should be compensated according to the law. When working overtime the workers should be compensated according to the legal overtime rates. This point will be checked at next audit through document review and interviews with worker		The factory plans to record the actual overtime situation in hand written records. Furthermore they plan to increase the compensation to the workers in the following way: they will continue to pay an extra 5 RMB for every 2.5 hours overtime worked in the evening. An extra 10% of the monthly piece rate salary will be paid to the workers per month. This will however not be lower than 100 RMB (even if the workers piece rate salary should be lower than 1000 RMB). Finally an extra 10 RMB per working day will be added to the above mentioned compensations.		Pending.	Follow Up 1 (announced), 2007-10-17. All of OT hours have been compensated to workers according to the law. The method of salary calculation has been changed since July, 2007, how much salary the work should get is based on worker' production quality, quantity and their performing. Follow-up 2 (unannounced), 2008-03-11. During this audit it was confirmed that the factory persistently have presented us with faked documents during previous audits, and so there is at this point no way of confirming the actual over time and over time compensation situation. We plan to increase our presence on this factory, including on Sundays and week nights, be present on paydays and closely monitor their documentation of salaries and working hours. Only when we feel that their documentation is trustworthy, will we decrease our presence there and start preparing for our next Full Audit (FAP2). Payday visit (announced), 2008-04-01. During this payday visit the factory presented their new OT compensation calculation method to us (see "Factory response". Using this calculation method the factory reach the legal limit, if OT compensation is based on time rate salary. The salaries in this factory is however based on a piece rate system, in which case the law requires the factory to calculate OT compensation based on the workers actual piece rate salary. Thus the factory still fails to live up to the legal requirements.  2nd Full Audit (Unannounced), 2009-02-25. All workers are paid by piece rate. The factory now pays RMB5 for every night overtime. Overtime is not compensated according to the law.	Document review		
<b>Miscellaneous</b>																		
									A few ID cards in personal files have expired. No tall-side copies of new generation ID cards kept in personal files (thus now way of checking expiration date).	H&M does not accept child labour, and we require the factory to write a clear policy against use of child labor and establish recruitment routines in order to make sure that all new workers are above legal age. In line with this we routinely check factories recruitment systems and workers personnel files. We require the personnel files to contain a copy of a valid ID-card, accompanied by a recent photo of the worker.		Will improve as soon as possible.		On-going.	Follow-up 1 (announced), 2007-11-17. Several expired ID cards have been replaced with new version ID cards But there are still several expired ID cards left. Follow-up 2 (unannounced), 2008-03-11. During this audit 15 workers were randomly selected, the personnel files for them were checked and it was found that all required age-verification documents were in place.  2nd Full Audit (Unannounced), 2009-02-25. Several workers' name were selected in the workshop randomly. Their personnel files were all available and complete.	Document review		
									Full audit (announced), 2007-04-03 - 2007-04-05. Currently there are no documented meetings held between workers representatives and factory management.	H&M require our factories to establish platforms for communication. This could be within the framework of the union or other worker - management committees, the records from meetings should be recorded and filed.		We will make records if there is a meeting.		On-going.	Follow-up 1 (announced), 2007-11-17. The factory have established a log book for worker - management communication. At this point two items of discussion have been recorded in the log book: one concerning the celebration of international women's day, and the other about how to organize the workers travelling during Spring Festival. Follow-up 2 (unannounced), 2008-03-11. Not checked during this audit. Follow-up 2 (unannounced), 2008-03-11. Not checked at this audit.  2nd Full Audit (Unannounced), 2009-02-25. There is still no worker representative committee in the factory according to the law. The factory start to use the grievance system as the communication channel with workers. However, the grievance procedure is incomplete and not fully implemented.	Document review, management interview, worker interview		
									Full audit (announced), 2007-04-03 - 2007-04-05. There is no policy of sick leave compensation in place the factory.	H&M will require the factory to pay workers all leaves that they are entitled to according to the law. In China this includes 90 days of sick leave with no less than 80% of original salary.		We will try to establish a sick leave compensation system as soon as possible.			Follow-up 1 (announced), 2007-11-17. The factory revised their regulations on paid sick leave, which is now in a trial period. According to the documents, there are 15 workers who are entitled to paid sick leave from July to Sept, but haven't received their compensation as of yet, according to factory management these workers sick leave compensation will be paid to them within 3 to 5 months. Follow-up 2 (unannounced), 2008-03-11. Not checked during this audit.  2nd Full Audit (Unannounced), 2009-02-25. The factory had set up a clear policy about all the legal required paid leaves. Base on worker interview and management interview, it was observed that workers can apply leaves if they need. However, all the leaves are no paid leave.	Document review, management interview, worker interview		